

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 DOEE-00 SSO-00 /159 W
-----036128 091736Z /41

P 091649Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 6993
INFO AMEMBASSY CARACAS

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USMTN

ACTION STR

STRPASS CODEL

EO 11652: N/A
TAGS: MTN, ETRD, VE
SUBJECT: MTN: CONSULTATIONS WITH VENEZUELAN DELEGATION
- ON US OFFERS AND FUTURE WORK PROGRAM

REF: (A) GENEVA 02972; (B) STATE 024987; (C) STATE 031614;
(D) CARACAS 2043 (E) STATE 049305 (NOTAL)

1. SUMMARY: US MTN DEL HAS MET WITH VENEZUELAN GENEVA
REPRESENTATIVES TO EXPLAIN IMPORTANCE OF US MTN OFFERS TO
VENEZUELA; TO NOTE IMPORTANCE OF RECEIVING ANY ADDITIONAL
REQUESTS ASAP; AND TO EMPHASIZE NEED FOR IDENTIFICATION
OF POSSIBLE VENEZUELAN CONTRIBUTIONS BY APRIL. VENEZUELAN
DEL HAD PRELIMINARILY REVIEWED US OFFERS, BUT DID NOT FIND
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THEM "OVERWHELMING" GIVEN COMPOSITION OF VENEZUELA'S
EXPORTS TO US; EXPRESSED PREFERENCE FOR GLOBAL AS OPPOSED
TO PRODUCT SPECIFIC CONTRIBUTIONS IN MTN; AND REPEATED
CRITICISM OF EXCLUSION OF VENEZUELA AND ECUADOR FROM US
GSP. END SUMMARY.

2. US MTN DEL (KNEPPER) MET WITH VENEZUELA GENEVA DEL

(AMBASSADOR CASTELLANOS AND QUINTERO) THURSDAY, MARCH 2, TO EXPLAIN US OFFERS ON AGRICULTURAL AND INDUSTRIAL TARIFFS AND NON-TARIFF MEASURES (NTM'S) IN FOLLOW-UP TO PLURILATERAL MEETING WITH ANDEAN GROUP REPORTED REFTEL (A). US MTN DEL PROVIDED A BRIEF OVERVIEW OF HOW THE US TARIFF OFFER COULD AFFECT DUTIABLE VENEZUELAN EXPORTS TO THE US. ON ITEMS COVERED BY THE APPLICATION OF THE "WORK-ING HYPOTHESIS" (TARIFF CUTTING FORMULA), THE US OFFER WOULD MAKE GREATER THAN FORMULA CUTS ON OVER \$5 MILLION OF VENEZUELA'S 1976 EXPORTS TO THE US, FORMULA REDUCTIONS ON NEARLY \$3 MILLION, AND LESS THAN FORMULA CUTS ON ONLY ABOUT \$50,000. THESE TARIFF REDUCTIONS INCLUDED 148 PRODUCTS THAT VENEZUELA HAD EXPORTED TO THE US IN 1976, A NUMBER OF WHICH SHOULD BECOME INCREASINGLY IMPORTANT AS VENEZUELA DEVELOPMENT PLANS REACH FRUITION. IN ADDITION, VENEZUELA WAS A PRINCIPAL SUPPLIER OF TSUS 403.08, PHTHALIC ANHYDRIDE, ON WHICH THE US OFFER WOULD BE SPECIFIED AT A LATER DATE. THIS PRODUCT IS CURRENTLY VALUED UNDER THE AMERICAN SELLING PRICE (ASP) SYSTEM, AND STUDIES WERE UNDER WAY TO ASCERTAIN THE APPROPRIATE TARIFF RATE TO USE IN MAKING AN OFFER SHOULD THE ASP VALUATION SYSTEM BE CHANGED AS A RESULT OF THE NEGOTIATIONS UNDERWAY ON VALUATION IN THE MTN CUSTOMS MATTER GROUP. WITH RESPECT TO AGRICULTURE PRODUCTS, WHICH ARE NEGOTIATED ON A REQUEST-OFFER BASIS, THE US OFFER COVERED NEARLY \$1.4 MILLION OF VENEZUELA EXPORTS TO THE US, WHILE ON AN ADDITIONAL \$4.8 MILLION NO OFFER HAD BEEN MADE LIMITED OFFICIAL USE

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BY THE US BECAUSE THE PRINCIPAL SUPPLIER HAD NOT MADE A REQUEST. US DEL NOTED THAT ON ONE OF THESE PRODUCTS, TSUS 193.10, TONKA BEANS, IN WHICH VENEZUELA SUPPLIED SOME 60 OF 1976 US IMPORTS, A REQUEST HAD BEEN RECEIVED FROM THE ANDEAN GROUP, BUT TOO LATE TO BE CONSIDERED FOR POSSIBLE INCLUSION IN THE JANUARY 23 OFFER. THIS AND OTHER REQUESTS RECEIVED SUBSEQUENT TO PREPARATION OF US OFFER WERE NOW BEING REVIEWED IN WASHINGTON TO SEE IF ADDITIONAL OFFERS COULD BE MADE. THERE ARE THREE ADDITIONAL AGRICULTURAL PRODUCTS IN WHICH VENEZUELA IS THE PRINCIPAL SUPPLIER BUT ON WHICH NO REQUEST HAD YET BEEN RECEIVED: TSUS 114.20 CRAB MEAT, PREPARED OR PRESERVED; TSUS 111.56 FISH PRESERVED; AND TSUS 182.90 EDIBLE GELATIN PREPARATIONS. SHOULD VENEZUELA HAVE INTERESTS IN MAKING REQUESTS ON THESE PRODUCTS, PRESUMABLY INCLUDED IN THE ADDITIONAL REQUESTS THAT THE ANDEAN GROUP IN GENEVA WAS PREPARING, IT SHOULD DO SO ASAP.

3. FYI AMEMBASSY CARACAS: FIGURES CITED ABOVE ARE BASED UPON THE US OFFER WHICH IS CLASSIFIED AS GATT "SECRET" AND, DUE TO SENSITIVITY OF THE OFFER, SHOULD NOT BE CITED IN CONVERSATIONS WITH PRESS AND PRIVATE SECTOR CONTACTS. END

FYI.

4. US MTN DEL NOTED THAT IN ORDER FOR THE US TO IMPLEMENT CONCESSIONS ON PRODUCTS IN ITS' OFFER, THE PRINCIPAL DC BENEFICIARIES WILL NEED TO MAKE RECIPROCAL CONCESSIONS, WHILE PRINCIPAL LDC BENEFICIARIES WILL NEED TO MAKE SOME CONTRIBUTIONS TO TRADE LIBERALIZATION, CONSISTENT WITH THEIR DEVELOPMENT, FINANCIAL AND TRADE NEEDS. US MTN DEL NOTED THAT US HAD INDICATED CONTRIBUTIONS IT WOULD FIND OF VALUE FROM VENEZUELA IN APRIL 1976 IN CONJUNCTION WITH ITS' MARCH 1, 1976 OFFER IN THE MTN TROPICAL PRODUCTS NEGOTIATIONS. NO DETAILED RESPONSE OR SPECIFIC COMMENTS HAD, HOWEVER, BEEN RECEIVED FROM VENEZUELA CONCERNING THE US SUGGESTED CONTRIBUTIONS. IN ADDITION, US HAD LIMITED OFFICIAL USE

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INDICATED ITS' INTEREST ON AGRICULTURAL PRODUCTS AND NTM'S

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INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 DOEE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-11 SSO-00 /159 W

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TO SECSTATE WASHDC PRIORITY 6994

INFO AMEMBASSY CARACAS

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USMTN

ACTION STR

IN VENEZUELA ON NOVEMBER 1, 1977, AND HAD SUBMITTED ON DECEMBER 16 A PRELIMINARY INDICATIVE LIST OF NON-AGRICULTURAL ITEMS ON WHICH IMPROVED MARKET ACCESS WOULD BE OF INTEREST TO THE US. LATTER LIST WAS BEING FURTHER REFINED IN WASHINGTON, AND WILL BE AVAILABLE IN THE NEAR FUTURE. US WAS OPEN IN THE NEGOTIATIONS ON SPECIFIC VENEZUELAN AND ANDEAN CONTRIBUTIONS, BUT US INDICATIONS OF ITS EXPORT INTERESTS DID PROVIDE A RANGE FOR POSSIBLE RESPONSES.

5. VENEZUELAN AMBASSADOR WELCOMED US PRESENTATION AND EXPRESSED AMAZEMENT AT LARGE NUMBER OF VENEZUELAN EXPORTS TO THE US. HE NOTED THAT GIVEN VENEZUELA'S CURRENT EXPORT TRADE PATTERN, THERE WERE NOT MANY LARGE VOLUME VENEZUELAN EXPORTS SUSCEPTIBLE FOR INCLUSION IN US OFFER.

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6. CONCERNING POSSIBLE VENEZUELAN CONTRIBUTIONS TO THE MTN, VENEZUELAN DEL NOTED THAT IT WOULD BE DIFFICULT TO MAKE SPECIFIC CONTRIBUTIONS, CITING DIFFICULTY OF INTER-ANDEAN COORDINATION AND NEGOTIATIONS ON ANDEAN COMMON EXTERNAL TARIFF IN THE NEAR FUTURE. HE BELIEVED, HOWEVER, THAT US WOULD GAIN IN GENERAL FORM NEW CXT, ESPECIALLY ON THOSE PRODUCTS WHICH IT WAS DECIDED NOT TO PRODUCE WITHIN THE REGION. HE NOTED LARGE VOLUME OF IMPORTS FROM US AND STATED HIS BELIEF THAT VENEZUELAN CONTRIBUTIONS SHOULD BE MORE OF A GENERAL NATURE, SUCH AS MAINTAINING LIBERAL IMPORT SYSTEMS, AND PERHAPS PARTICIPATING IN SOME OF THE CODES THAT WERE CURRENTLY UNDER NEGOTIATION IN THE MTN. VENEZUELAN DEL ASKED RHETORICALLY SEVERAL TIMES DURING CONSULTATION WHAT WOULD BE THE EFFECT IF VENEZUELA (AND OTHER ANDEANS) WITHDREW ALL REQUESTS, AND ADOPTED PASSIVE ATTITUDE IN PRODUCTS SPECIFIC ASPECTS OF MTN AND MERELY ACCEPTED "FALLOUT" FROM MFN NEGOTIATIONS? US MTN DEL REPEATEDLY EMPHASIZED THAT FOR THE US TO MAINTAIN ITS OFFER, CONCESSIONS OR CONTRIBUTIONS WOULD BE NEEDED FROM BENEFICIARIES.

7. VENEZUELAN DEL REFERRED ON SEVERAL OCCASIONS TO "POLITICAL PROBLEM" OF VENEZUELAN AND ECUADORIAN EXCLUSION FROM US GSP, WHICH ALSO WOULD INHIBIT VENEZUELAN'S ABILITY TO MAKE CONTRIBUTIONS. FOLLOWING INSTRUCTIONS REFTEL (E), US MTN DEL DECLINED TO BE DRAWN INTO DISCUSSION OF THIS ISSUE, NOTING THAT MTN PROVIDED OPPORTUNITY TO LOWER TARIFFS ON A PERMANENT MFN BASIS WHICH GAVE GOOD GUIDES FOR INVESTMENT DECISIONS, WHILE GSP WAS A UNILATERAL, UNBOUND, TEMPORARY GRANT.

8. VENEZUELAN DEL NOTED THAT DR. FERNANDO GERBASI OF THE

FOREIGN TRADE INSTITUTE IN CARACAS WAS BEING REPLACED BY
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FREDDIE CHRISTIANS, WHO HAD BEEN ECONOMIC MINISTER ON
VENEZUELAN GENEVA DEL. CHRISTIANS WOULD COORDINATE
VENEZUELAN PARTICIPATION IN MTN, AND PERHAPS VISIT GENEVA
FROM TIME TO TIME.

9. COMMENT: WHETHER VENEZUELANS MAKE SPECIFIC CONTRIBUTIONS
TO THE MTN MAY DEPEND HEAVILY ON WHETHER US CAN OFFER
CONCESSIONS ON TSUS 114.20 CANNED CRAB MEAT, AND ON TSUS
403.08, PHTHALIC ANHYDRIDE WHICH APPEAR TO BE THE PRINCIPAL
PRODUCTS SUSCEPTIBLE TO US OFFERS OF INTEREST TO
VENEZUELA AT THIS TIME.

10. FOR AMEMBASSY CARACAS: REQUESTS CONTAINED REFTEL (D)
HAVE NOT YET BEEN RECEIVED FROM VENEZUELAN MTN DELEGATION,
AND PRESUMABLY WILL BE INCLUDED WITH COMBINED ANDEAN
REQUEST EXPECTED SOON. US MTN DEL WOULD APPRECIATE
EMBASSY IDENTIFICATION OF KEY PRODUCTS, BY TSUS NUMBER,
THAT VENEZUELA WILL BE SEEKING TO EXPORT IN VOLUME TO US
AS ITS DEVELOPMENT PROGRAMS COME ON STREAM.

11. DRAFTED BY KNEPPER. CULBERT

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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Draft Date: 09 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Executive Order: N/A
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